

Message Text

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SUBJ: LABOR DIFFICULTIES AT SOUTHERN PERU COPPER CORPORATION

REF: LIMA 4077

1. FRANK ARCHIBALD OF SPCC CALLED ON AMBASSADOR SEPTEMBER 23 TO INFORM HIM OF LABOR DIFFICULTIES AT SPCC'S TOQUEPALA MINE. MINE WORKERS HAVE BEEN ON STRIKE FOR ALMOST FIVE WEEKS OVER PAY ISSUE. CENTRAL DEMAND IS PAY FORMULA BASED ON NINE DAYS PAY FOR SIX DAYS WORK AS RECEIVED BY WORKERS AT THE SMELTER AND REFINERY. SPCC RESPONSE HAS BEEN TO POINT OUT THAT SMELTER AND REFINERY ARE ON SEVEN DAY WEEK; IF MINE WORKERS (NOW ON SIX DAY WEEK) WISH TO GO ON SEVEN DAY WEEK, SPCC WILL ADJUST PAY ACCORDINGLY. MINERS HAVE REFUSED. ON OTHER HAND, SMELTER AND REFINERY WORKERS SAY THAT IF COMPANY GIVES IN TO MINERS, THEY WILL GO OUT ON STRIKE.

2. ARCHIBALD SAID THAT STRIKE HAS NOW CAUSED BOTH SMELTER AND REFINERY TO SHUT DOWN AS ORE STOCKS HAVE
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BEEN EXHAUSTED. HE ESTIMATED THAT FIVE WEEKS LOSS OF

PRODUCTION TRANSLATES ITSELF INTO LOSS OF FOREIGN EXCHANGE INCOME FOR PERU OF BETWEEN \$30-40 MILLION. PERU'S FOREIGN EXCHANGE RESERVES, HE HAS BEEN INFORMED, ARE NOW DOWN TO ONLY \$70 MILLION. (NOTE: WE THINK THIS IS AN EXAGGERATION.) ARCHIBALD ALSO NOTED THAT, OWING TO DECLINE IN COPPER PRICES, SPCC HAS PAID ONLY A TOKEN \$4000 IN INCOME TAXES SO FAR THIS YEAR. THIS CONTRASTS WITH \$50 MILLION IN 1974.

3. ALTHOUGH ARCHIBALD HAD BEEN INCLINED TO BELIEVE THAT WORKERS WOULD HALT STRIKE, AT LEAST TEMPORARILY, IN VIEW OF VISIT BY PRESIDENT MORALES BERMUDEZ TO ILO AND SPCC PROGRAMMED FOR SEPTEMBER 27-28, THIS APPEARS LESS LIKELY AS TIME GOES ON. HHE ALSO NOTED RETURN FROM EXILE OF RADICAL NATIONAL MINE WORKERS UNION LEADER VICTOR CUADROS IN EARLY AUGUST AND OF EQUALLY RADICAL EX-LEADER OF CUAJONE UNION HERNAN CUENTAS LAST WEEK. THERE ARE SIGNS OF LABOR UNREST AT CUAJONE, AND ARCHIBALD THINKS THAT STRIKE MAY SPREAD. ONLY FAVORABLE SIGN IS THAT MINISTRY OF LABOR APPEARS TO BE TAKING FIRMER LINE, AND SOME HELP FROM THAT QUARTER MAY BE IN PROSPECT. (IN SEPEARAT CONVERSATION LATER THAT DAY, DIRECTOR SUPERIOR OF PALNNING INSTITUTE, OTONIEL VELASCO, REMINDED EMBASSY OFFICERS THAT IN HIS SEPTEMBER 5 TELEVISION APPEARANCE, MORALES BERMUDEZ HAD MADE IT VERY CLEAR THAT RETURN OF EXILES WAS NOT TO BE INTERPRETED AS IPPORTUNITY FOR LICENSE AND THAT GOP WOULD ACT IF THERE WAS A THREAT TO THE REVOLUTION. LABOR DISTURBANCES SUCH AS THAT AT CUAJONE, VELASCO SAID, ARE CONTRARY TO THE NATIONAL INTEREST AND MUST BE TREATED WITH -UNA MANO DURA".)

4. COMMENT: LABOR SITUATION AT SPCC ADDS TO PRESSURES AGAINST WHICH NEW MORALES BERMUDEZ GOVERNMENT IS STRUGGLING. AS PREVIOUSLY REPORTED, LEFT APPEARS TO BE LOSING LITTLE TIME IN PROBING GOP STRENGTH AND UNITY. ADDITIONALLY, ALTHOUGH GOP HAS BEEN VERY CAUTIOUS IN RELEASE OF BASIC ECONOMIC DATA, SPCC SITUATION IS ILLUSTRATIVE OF PROBLEMS IT IS FACING. LOSS OF \$50 MILLION IN TAX REVENUE IS SURELY PARALLELLED BY SIMILARLY DISMAL DECLINE IN GOP INCOME FORM OTHER MINING VENTURES. MOREOVER, IF LIMITED OFFICIAL USE

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ARCHIBALD'S FIGURE IS CORRECT, COMBINED CONTRIBUTION OF FOREIGN EXCHANGE EARNINGS OF SPCC AND MARCONA WAS SOME \$460 MILLION ANNUALLY, BETTER THAN 25 PERCENT OF PERU'S ESTIMATED \$1,600 MILLION IN EXPORTS FOR 1975. WITH BOTH SPCC AND MARCONA EFFECTIVELY SHUT DOWN, PERU MUT BE CONFRONTED WITH CASH FLOW PROBLEMS OF WORRISOME PROPORTION.
DEAN

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